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North Lily Mining Company



January 12, 1995

State of Utah
Department of Natural Resources
Division of Oil, Gas, and Mining
355 West North Temple
Salt Lake City, Utah 84180-1203

RE: Annual Report for the Year 1994

Dear Mr. Headburg:

Enclosed is North Lily's annual report on mining operations and is to comply with Rules R647-003-166 and R647-004-121 of the Division's Amended and New Rules, Minerals Reclamation Program.

Sincerely,

Paul C. Spor
General Manager

0008

m/023/007

From: Wayne Hedberg
To: JCarter, LBraxton
Date: Tuesday, June 20, 1995 4:04 pm
Subject: North Lily Mining - Interest Question

Jim/Lowell:

This is a follow up to last weeks e-mail exchanges regarding the release of accrued CD interest for this mine site. On June 12th, I spoke with Paul Spor, representative for North Lily Mining Company regarding plans for this site. He informed me that North Lily will probably be closing down the processing facilities this year. Tentative plans are to run the carbon plant until around the end of July/95, then drill the heap (auger) and sample, analyze for cyanide and metals. Assuming analytical results are favorable, they will then hire a contractor to come in and recontour and retopsoil the heap (Aug-Sept/95). Reseeding to occur in October-November/95. If need be they will treat the solutions and heap chemically to lower cyanide and metals to acceptable levels.

Paul indicated that drain-down solutions analyzed in July/94 and March/95 were as follows:

Total CN = 1744 mg/l - (7/94)
WAD CN = 1480 mg/l
Copper = 1110 mg/l

Total CN = 344 mg/l - (3/95)
WAD CN = 77.6 mg/l
Copper = 340 mg/l

He indicated that samples were to be taken again during week of June 12-16/95.

Regarding Corporate status and stability, Paul feels much better with present officers than he has in the past. He indicated they are much more responsive to his requests for information and/or materials, etc. International Mahogany (Canadian Company) is a silent joint venture partner with NLMC, which Paul indicated was a fairly sound company. Present NLMC officers include: Gene Webb, Ray Irwin and Steve Fletcher, all with good mining experience/backgrounds.

Paul indicated that they are/will be selling off/liquidating the onsite processing equipment that they will no longer have further use for.

I explained some of our concern/hesitancy regarding the CD interest situation and he seemed to understand. We agreed to meet onsite to evaluate/inspect the status of the operation and all affected areas on July 5th, 10:00AM. I'm not sure if we need to deny/postpone signing the release forms for the bank interest until then?? Please let me know if you would like to discuss this matter further. I'm in today, out in field tomorrow thru Thursday, in again on Friday.

P.S. - JAN BROWN JUST GOT CALL FROM BANK WHO INDICATED THERE IS A JUNE 25 DEADLINE TO PULL INTEREST ON THE C.D.

CC: Minerals, JLBROWN

11/023/007

From: Wayne Hedberg
To: JCarter, LBraxton
Date: Tuesday, June 20, 1995 12:25 pm
Subject: North Lily Mining - Interest Question

DOGM
MINERALS PROGRAM
FILE COPY

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CC: Minerals